

Selling Vacant Land Could Bring a Tax Break

You probably know that you can exclude up to \$250,000 of gain (\$500,000 for most joint filers) when you sell your principal residence. IRS regulations may now allow you to apply this gain exclusion when you sell vacant land that is adjacent to your home.

To qualify, the land you sell must be adjacent to the parcel on which your house sits. Also, the land sale must occur within two years before or after the residence is sold. You must meet the other usual requirements for claiming the exclusion. If you qualify, you can apply your \$250,000 or \$500,000 exclusion to both sales combined.

Example: You own and live in a house which sits on four acres. You decide to sell the house on a one-acre lot and sell the other three acres of empty land to a developer. Provided the land sale occurs within two years before or after you sell the house, you can exclude up to \$250,000 (\$500,000 if you file jointly) of the combined gain from both sales.

If you want to discuss tax strategies for your circumstances, please contact our office for an appointment.